The Red Sheet

July 23, 2012

BUTTER: This week's Chicago Mercantile Exchange spot-cash butter market increased $.0400/Lb. Considering all the attention the drought is getting it isn't surprising that the butter market moved higher. This year's ice cream demand has really changed the complexion of the overall butter supply/demand situation. It seemed like we had a virtual mountain of butter early in the year, but now those stocks have returned to manageable levels. It wouldn't be surprising to see the butter market move higher, especially if the heat/drought continues.

CHEESE: This week's Chicago Mercantile Exchange spot-cash Block Cheese market increased $.0375 per pound and the spot-cash Barrel market increased $.0150/Lb. The drought is now constantly in the TV and radio news cycle and we are being barraged with news articles about the effects of this devastating weather event. Temperatures are affecting milk production. Rising feed costs are pulling profitability lower, which has, and will likely continue to cause an increase in culling and further reductions in cow numbers, causing more competition for the available cream.

EGGS: The Urner Barry Market has jumped $.24/dozen since last Thursday due to the severe weather being experienced around the country. Between 3 and 4 million hens have died in the Midwest during the recent heat wave. A significant portion of the nations breeding stock has also died because of the heat wave. The heat stress is also causing diminished productivity from the remaining hens. There is significant potential for record high prices as well as shortages of grain used for feed.

SOYBEAN OIL: Soybean oil closed up 66 points on the week at 54.36 as traders continue to worry that the drought in the Midwest could shrink the harvest of soybeans and corn. The focus of worries about drought damage is shifting toward soybeans as the crop approaches its critical growing period in late July and August, when the plants will set their pods and fill them out with beans. Weather in the next several weeks will have a major effect on soybean yields at harvest. Futures pricing comparison for soybean oil: LY=$0.5651Lb; LW=$0.5357Lb; TW=$.5436Lb; YR CHNG= -3.80%

BEEF: Cutout values were weak to lower under light/moderate demand and moderate/heavy offerings. There is another week of weakening middle meats, with the Choice loin complex declining. While loin cuts shifted lower during the week, strip loins traded sharply lower most of the week. End cuts remained relatively steady and chucks reported some firmness. Fed cattle grinds were lower, especially at higher lean percentages and under light demand. Beef trimmings were weak on light demand and light to moderate offerings. Forward negotiated sales were light to moderate, with notable trades in Choice inside rounds and Select tenderloins at prices consistent with the spot market. For the week: ribs slightly lower; chucks barely higher; rounds steady; loin cuts lower to significantly lower; trimmings barely lower; Fed cattle grinds much lower and blended cattle grinds were lower.

PORK: Loins and spareribs reversed last week's trend and moved higher throughout the week. Offerings were light under presold conditions and increased retail interest. Trading levels for butts were generally steady at current values. The record heat wave slowed the movement of live hogs to market. There was light trading again this week on processing cuts as demand continues to be light for both bone-in hams and bellies due to limited offerings. Higher price levels for bellies slowed bacon slicing as most slicers scratch their heads wondering when the next retail feature ads will be. Fat trimmings experienced light offerings coupled with increased demand pushing prices higher. Lean trim sellers had ample inventories to move coming into the week. Just a few trades for boneless picnics saw price levels advance late in the week. For the week: loins higher; butts unevenly steady; spareribs barely to much higher; hams steady to barely higher; bellies generally steady; 42% trim higher; 72% trim unevenly steady and bnls picnics slightly higher.

CHICKEN: Late in the week the market continues to be more influenced by supply rather than any aggressive stand on the buy side. Tenders and wings remain the most limited items with an active call. Boneless is rated about steady to steady overall. Wog prices are somewhat mixed depending on the availability and offerings. Chicken pricing tends to be academic as needs are described as spotty at best. Dark meat lines are considered flat. Leg quarters, legs and drums are still showing a lack of buying interest.

TURKEY: Demand for thigh meat continues to exceed offerings. The market steady to firm. Drum supplies seem to have been absorbed with interest and will show some strength. Whole bird inquiries and sales are beginning to build. Recently negotiated sales are at up money on 20-24 pound toms and on light volumes of hens. Major participants report that they're asking prices have advanced and approach the table with confidence. Toms are steady to strong and hens are steady. Offerings of frozen tom breast meat are able to satisfy the demand while both fresh and frozen is showing renewed life.

RICE: New crop harvesting has been delayed due to rains in Texas and Louisiana. The average price of 100 Lbs. of bulk #1 rice, FOB the mill is currently $23.75/Cwt. Futures pricing comparison for 100 Lbs. of rough rice: LY=$16.74/Cwt LW=$14.86/Cwt, TW=$15.355/Cwt, YR CHNG = -8.27%

FLOUR: Wheat futures prices surge higher this week. Basis levels are choppy. Winter wheat harvest was at 97% completion as of July 15. Spring wheat harvest has begun with South Dakota at 12% harvested on July 15, which continues to be ahead of the 0% 5 year average. Spring wheat crop was rated at 65% good to excellent this week down just a percent from the previous week. Futures pricing for a bushel of hard, spring wheat are: LY=$8.385/Bu, LW=$9.495/Bu, TW=$10.315/Bu, YR CHNG = +23.01%.

SUGAR: U.S. sugar markets remain weak. While Sugar beet sellers have a majority of the remainder of 2012 and 2013 sugar already sold Mexican Suppliers are saying that they will have ample supplies of Mexican Cane sugar available for the US Market. Futures pricing comparison: LY=$40.10/Cwt, LW=$28.83/Cwt, TW=$29.40/Cwt, YR CHNG= -26.68%.

APPLE AND CHERRY PRODUCTS: The bad news just keeps on coming. Due to the severe damaged that both the Apple and Cherry crops have suffered in Michigan and along the East Coast, prices have just kept skyrocketing. The Canned Pie Filling Companies are announcing increases of approximately 21% on Apple and 38% on Cherry Pie Fillings. In addition the Canned Apple Products Companies are already announcing additional price increases on top of the initial ones that are just coming into place. They've gone up 20% already and announcing an additional 15% to follow shortly. I'm sure the frozen suppliers will be right behind with additional changes.

CANNED TOMATOS: New Pack harvest has begun, although somewhat slowly. Actual harvest began approximately 1 week late and quickly ran into difficulty because the tomatoes were not yet ripe enough for processing. Suppliers have shut down their packing plants for a few days hoping that the tomatoes will ripen enough to begin processing again. Packers have no Whole Peeled Tomatoes. First production will be to fill the pipeline. Don't expect any pricing relief till the suppliers have more of an idea on how good a crop they will have.

SEAFOOD MARKET REPORT:

KING CRAB: We have seen some prices coming down mostly due to very slow demand for the very high priced product. We will have to wait and see what the new season will bring us but do not expect to see any real drastic changes in pricing soon.

TILAPIA: Landings have been steady throughout Southeast Asia and there is a good supply of product in the US now. Expect prices to possibly come down a little depending on customer demand.

TUNA: The market for the Red tuna product is still very hot and there is nowhere enough products coming into the US to support demand. The FDA has stepped up inspections and it is taking longer to get containers released. Importers are very hesitant to ship product over here due to the delay of product getting released and them getting paid for it. Good quality frozen red tuna will be tight all year long.

SHRIMP: Very little Mexican shrimp remains in the market. There are just some 16-20 and a few 21-25 around right now. We will not see any more product until the new harvest starts in Late August. South America is in full production and is reporting good numbers. There is a larger than normal amount of #2 product, or 1.5 as they call it. This shrimp will have some off color and soft shells so be careful what you are buying.